

**CITY OF INKSTER, MICHIGAN**  
**FINANCIAL REPORT**  
**WITH SUPPLEMENTAL INFORMATION**  
**YEAR ENDED JUNE 30, 2008**

**CITY OF INKSTER, MICHIGAN**

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**INDEPENDENT AUDITORS' REPORT**

To the City Council  
City of Inkster, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the remaining fund information of the City of Inkster, Michigan as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the of City of Inkster, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Inkster, Michigan as of June 30, 2008 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, budgetary comparison schedules, and pension system schedules of funding progress and employer contributions, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the City Council  
City of Inkster, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Inkster, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we will also be issuing a report on our consideration of the City of Inkster, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with government Auditing Standards and should be considered in assessing the results of our audit.

*Alan C. Young; Assoc.*

December 23, 2008

**CITY OF INKSTER, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 2008**

As management of the City of Inkster, we offer readers of the City of Inkster's financial statements this narrative overview and analysis of the financial activities of the City of Inkster for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with the financial statement that follows this section.

**FINANCIAL HIGHLIGHTS**

- The City's Total Net Assets increased by \$1.9 million.
- The City spent \$4.5 million in street repairs and \$3.4 million in water and sewer repairs.
- The General Fund – fund balance is 8.11% of revenue.
- The General Fund finished the fiscal year under budget.

**The Government-Wide Financial Statements**

The first set of financial statements is the government wide financial statements that include the statement of net assets and statement of activities on pages 11-12. These statements provide both long and short-term information about the City's overall financial status and are prepared on the full accrual basis of accounting.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City of Inkster's basic financial statements. The City of Inkster's basic financial statements comprise three components: 1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Table 1 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Government-Wide Financial Statements.** The Government-wide financial statements are designed to provide readers with a broad overview of the City of Inkster's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City of Inkster's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Inkster is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the Government-wide financial statements distinguish functions of the City of Inkster that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Inkster include general government, police, fire, public works, parks & recreation and community enrichment and development. The business-type activities of the City of Inkster include the water system and the sewer system.

**CITY OF INKSTER, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 2008  
(CONTINUED)**

**Table 1. Major Features of the City of Inkster's Government-wide  
and Fund Financial Statements**

Type of Statements	Government-Wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire, and parks	Activities the City operates similar to private businesses: the water and sewer system, and the parking facilities	Instances in which the City is the trustee or agent for someone else's resources, such as the retirement plan for City employees
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures &amp; changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term, the City's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

**CITY OF INKSTER, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 2008  
(CONTINUED)**

**Government-Wide Financial Statements. (Continued)** The Government-wide financial statements include not only the City of Inkster itself (known as the primary government), but also a legally separate Downtown Development Authority, Economic Development Corporation, Brownfield Redevelopment Authority and the Beech Daly Tax Increment Finance Authority for which the City of Inkster is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The Government-wide financial statements can be found on pages 11-12 of this report.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Inkster, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Inkster can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the Government-wide financial statements. However, unlike the Government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Inkster maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, major street fund, and the local street fund. Data from the other five governmental funds are combined into a single, aggregated presentation - Non-Major Governmental Funds. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Inkster adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 14-15 of this report.

**Proprietary Funds.** The City of Inkster maintains two different types of proprietary funds-enterprise-funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the Government-wide financial statements. The City of Inkster uses enterprise funds to account for its Water and Sewer activities. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Inkster's funds. The City of Inkster uses internal service funds to account for its garage activities.



**CITY OF INKSTER, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 2008  
(CONTINUED)**

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the Government-wide financial statements because the resources of those funds are not available to support the City of Inkster's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 20-21 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-48 of this report.

**REQUIRED SUPPLEMENTAL INFORMATION**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Inkster's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 49-53 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 55-58 of this report.

**Government-Wide Financial Analysis.** Net assets may serve, over time, as a useful indicator of a government's financial position (See Table 2). Total net assets of the City of Inkster are \$39.4 million an increase of \$1.9 million from the prior year. The largest portion, \$32.4 million (83%), reflects its investment in capital assets (e.g., land, buildings, streets, sidewalks, machinery, and equipment), less depreciation and any related debt used to acquire those assets that is still outstanding. The City of Inkster uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Inkster's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Table 2. City of Inkster's Net Assets  
(in Millions)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2008	2007	2008	2007	2008
Current and other assets	\$ 9.7	\$ 10.2	\$ 7.4	\$ 6.8	\$ 17.1	\$ 17.0
Capital assets	25.3	23.5	31.0	32.0	56.3	55.5
Total assets	35.0	33.7	38.4	38.8	73.4	72.5
Current liabilities	5.5	6.0	2.7	2.7	8.2	8.7
Long-term liabilities outstanding	17.3	15.0	10.4	9.4	27.7	24.4
Total liabilities	22.8	21.0	13.1	12.1	35.9	33.1
Net assets:						
Invested in capital assets, net of related debt	4.3	9.3	19.6	23.1	23.9	32.4
Restricted	8.6	4.1	0.1	0.1	8.7	4.2
Unrestricted (deficit)	(0.7)	(0.7)	5.6	3.5	4.9	2.8
Total net assets	\$ 12.2	\$ 12.7	\$ 25.3	\$ 26.7	\$ 37.5	\$ 39.4

**CITY OF INKSTER, MICHIGAN**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**YEAR ENDED JUNE 2008**  
**(CONTINUED)**

**Government-Wide Financial Analysis. (Continued)** The remaining portion of the City of Inkster's total net assets represents resources of which \$2 million are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$2.8 million may be used to meet the government's ongoing obligations to citizens and creditors.

Total net asset are divided into governmental and business-type activities. Governmental total net assets increased by \$0.5 million. This incorporates \$4.5 million in street improvements released from the restricted portion of governmental net assets (decreased from \$8.6 to \$4.1 million). The \$4.5 million had been restricted in the prior year to be used for street improvements.

Business-type activities total net assets increased by \$1.4 million with an increase to capital assets of \$3.5 million and a decrease in unrestricted net assets of \$2.1 million. The \$3.5 million spent on capital assets went mostly to make major improvements to the water and sewer system.

**Governmental Activities.** Changes in Net Assets (Table 3) provide some insight into current year activities as compared to those of the prior year. Total revenues increased by \$1.0 million, with most of the increase in the governmental activities revenues. Program revenues, revenues that come from some other source then direct taxes, from governmental activities increased by \$1.1 most of the money coming from grants. General revenues, mostly taxes, were down slightly although property taxes gained by \$0.4 million as taxable values in the City remained below the state equalized value.

**Table 3. City of Inkster's Changes in Net Assets**  
**(in Millions)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 3.5	\$ 3.8	\$ 7.8	\$ 7.6	\$ 11.3	\$ 11.4
Operating grants	4.3	5.1	-	-	4.3	5.1
General revenues						
Property taxes	8.2	8.6	1.2	1.5	9.4	10.1
State shared revenues	4.4	4.2	-	-	4.4	4.2
Other	1.5	1.2	0.1	0.1	1.6	1.3
Total revenues	<u>21.9</u>	<u>22.9</u>	<u>9.1</u>	<u>9.2</u>	<u>31.0</u>	<u>32.1</u>
<b>Expenses</b>						
General government	3.5	4.0	-	-	3.5	4.0
Public safety	8.7	9.5	-	-	8.7	9.5
Public works	6.4	6.8	-	-	6.4	6.8
Parks and Recreation	1.5	1.7	-	-	1.5	1.7
Interest on long term debt	0.3	0.4	-	-	0.3	0.4
Water & Sewer	-	-	7.7	7.8	7.7	7.8
Total Expenses	<u>20.4</u>	<u>22.4</u>	<u>7.7</u>	<u>7.8</u>	<u>28.1</u>	<u>30.2</u>
Changes in net Assets	<u>1.5</u>	<u>0.5</u>	<u>1.4</u>	<u>1.4</u>	<u>2.9</u>	<u>1.9</u>
Net assets - beginning	<u>10.7</u>	<u>12.2</u>	<u>23.9</u>	<u>25.3</u>	<u>34.6</u>	<u>37.5</u>
Net assets - end	<u>\$ 12.2</u>	<u>\$ 12.7</u>	<u>\$ 25.3</u>	<u>\$ 26.7</u>	<u>\$ 37.5</u>	<u>\$ 39.4</u>

**CITY OF INKSTER, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 2008  
(CONTINUED)**

**Governmental Activities. (Continued)** Total expenses increased by \$2.0 million most of which (\$1.5 million) was spent on governmental activities in the local street fund. Public safety expenses increased by \$0.8 million and public works increased by \$0.4 million.

**Business –Type Activities** Total revenues and expenses in the business-type activities were about the same as the prior year (a \$0.1 million increase). A decline of \$0.2 million in charges for services was offset by a \$0.3 million increase in property taxes. Net assets increased by \$1.4 million.

**Analysis of Fund Financial Statements**

The next section of the financial report is the fund financial statements. As noted earlier, the City of Inkster uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the City of Inkster's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the City of Inkster's financing requirements. In particular, unreserved, undesignated fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the 2008 fiscal year, the City of Inkster's governmental funds reported combined unreserved undesignated fund balances of \$3.9 million a decrease of \$0.7 million from the prior year. Increased levels of spending in the Major & Local Street funds accounted for \$0.5 of the decrease.

The general fund is the chief operating fund of the City of Inkster. The \$1.4 million fund balance in the general fund is 8.11% of 2008 total revenues an improvement from the prior year. The Treasurer of the State of Michigan considers 8% an indicator of financial sound municipality. The unreserved undesignated portion of the General Fund is \$1.0 million. The general fund has \$2.4 million in pooled cash and investments an increase of \$1.3. The improved cash flow comes from the collection of accounts receivable mostly due from the State.

The remaining governmental funds have a fund balance of \$4.0 of which \$2.9 is unreserved and undesignated. The largest fund balances among the other governmental funds are the Major and Local Streets. Other special revenue funds are maintained primarily to demonstrate accountability. Federal or local laws restrict the spending of the money in these funds.

**Proprietary Funds.** The City of Inkster's proprietary funds provide the same type of information found in the Government-wide financial statements, but in more detail. Like the governmental funds, the focus of the City of Inkster's proprietary funds is to provide information on near-term inflows, outflows, and balances of expendable resources but also providing insight into the long term financial requirements of the fund. Wherein the unreserved, undesignated portion of fund balance in the governmental funds may serve as a useful measure of a government's net resources, the unrestricted net assets provide the same measure in proprietary funds. The City has two proprietary funds; the Water and Sewer Fund, an enterprise fund, and the Garage Fund which is an internal service fund.

**CITY OF INKSTER, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 2008  
(CONTINUED)**

**Proprietary Funds. (Continued)** Total net assets in the Water and Sewer Fund are \$26.7 million, an increase of \$1.4 million from the previous year attributable mostly to operating income. The unrestricted portion of net assets is \$3.4 million down \$2.2 million from the previous year due to capital improvements.

Total net assets in the Garage Fund are \$0.7 million a decrease of \$0.2 million from the previous year attributable mostly to operating expenses. The unrestricted portion of net assets is \$0.2 million down \$0.2 million from the previous year due to operating expenses.

**BUDGETARY HIGHLIGHTS**

**Original to Amended.** The general fund amended budget (Table 4) of \$17.6 million was \$0.3 million (1.7%) less than the original budget which demonstrates the high quality of work the City did in preparing the fiscal year 08 budget. All variations between the original and the amended budget are minor with largest being an adjustment of \$0.2 million between public works and public safety.

**Table 4. City of Inkster's General Fund Budget to Actual  
(In Millions)**

	<b>FY06 Actual (Audited)</b>	<b>FY07 Actual (Audited)</b>	<b>FY08 Original Budget</b>	<b>FY08 Amended Budget</b>	<b>FY08 Actual (Audited)</b>
<b>Revenues</b>					
Property taxes	\$ 7.3	\$ 7.5	\$ 7.7	\$ 7.5	\$ 7.8
Licenses and permits	0.4	0.4	0.4	0.3	0.3
State-shared revenues and grants	4.7	4.7	4.6	4.5	4.5
Charges for services	2.0	1.8	1.8	1.8	1.8
Interest	0.2	0.3	0.3	0.3	0.3
Administrative charges and other revenue	2.8	2.7	3.1	3.2	3.1
<b>Total revenues</b>	<b>17.4</b>	<b>17.4</b>	<b>17.9</b>	<b>17.6</b>	<b>17.8</b>
<b>Expenditures and transfers</b>					
General government	2.6	2.8	2.9	2.8	2.8
Public safety	6.6	6.7	7.0	7.3	7.4
Highways, streets, and public works	2.8	2.7	2.8	2.5	2.6
Cultural and recreation	0.7	0.2	0.2	0.2	0.2
Nondepartmental	4.2	4.1	5.0	4.8	4.3
Operating transfers (out)	-	0.5	0.5	0.5	0.5
<b>Total expenditures and transfers</b>	<b>\$ 16.9</b>	<b>\$ 17.0</b>	<b>\$ 18.4</b>	<b>\$ 18.1</b>	<b>\$ 17.8</b>

**Amended to Actual.** General fund revenues were above the amended budget with property taxes at \$0.3 million favorable. General fund expenditures totaled \$17.3 million, \$0.3 million (1.7%) below the final amended budget which demonstrates the effort that was placed on controlling the budget this fiscal year. General Fund revenues of \$17.8 million were above the \$17.6 million of revenues in the amended budget. Most variations are minor with the public works actual expenditures being \$0.1 million over the amended budget but under the original budget.

**CITY OF INKSTER, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2008**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets.** As shown in the statement of net assets (see page 11) and detailed in Note 5, at the end of fiscal year 2008 the City (excluding component units) had \$55.5 million (net of depreciation) invested in capital assets an increase from the prior year of \$5.7 of which most of the money was spent on street improvements. Capital assets include land and buildings, police and fire vehicles and equipment, the City fleet, sidewalks, playgrounds, water and sewer lines, CSO basin and the like.

**Debt Administration.** The debt related to the acquisition and construction of these assets at June 30, 2008 was \$24.7 million with \$3.1 million of this debt due to be paid within the next year. A detailed listing of all City debt can be found in Note 7. During the year, the long-term debt of the City decreased by \$2.9 million due to debt retirement.

**ECONOMIC FACTORS AND NEXT YEARS BUDGET**

**Economic Factors.** The City of Inkster, as has the rest of the nation, has felt the effect of recession. The City is tied to the automobile industry and was happy to learn of President Bush's announcement approving \$13.4 billion in short term loans the automobile industry. The infusion of cash into the Big Three automakers should provide an economic stimulus to the community.

Wayne County was allocated \$25.9 million dollars for the neighborhood stabilization program (NSP). The money combined with the lowering of mortgage interest rates will encourage the rehabilitation, demolition, development and sale of homes in Inkster, reducing blight and stabilizing neighborhoods.

**Budget.** The FY 09 budgeted revenues project a continued decrease in state shared revenues and an increase in property taxes. The City maintains a healthy General Fund – fund balance and is engaged in substantial infrastructure improvements. The Police and Fire Pension Fund was 105% funded as of June 30, 2008. The goal of next year's budget will be to continue to keep expenditures in line with the City's limited resources without the use of fund balance.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City of Inkster's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Treasurer/Controller City of Inkster, 26215 Trowbridge, Inkster, Michigan 48141

**CITY OF INKSTER, MICHIGAN**  
**STATEMENT OF NET ASSETS (DEFICIT)**  
**JUNE 30, 2008**

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
<b>Assets:</b>				
Cash and Investments (Note 3)	\$6,118,016	\$567,227	\$6,685,243	\$1,320,544
Receivables - Net:				
Customers	0	4,283,976	4,283,976	0
Taxes Receivables	34,552	0	34,552	0
Long-Term Receivable from TIFA (Note 4)	972,047	0	972,047	0
Other	398,663	0	398,663	7,335
Due from Primary Government	0	0	0	28,523
Due from Other Governmental Units	1,044,988	0	1,044,988	0
Deposits and Prepaids	159,886	0	159,886	
Inventories	32,943	175,940	208,883	0
Deferred Bond Issuance Costs	0	184,743	184,743	0
Restricted Assets (Note 8)	1,105,614	1,590,537	2,696,151	0
Investment in Joint Venture-(Note 11)	275,695	0	275,695	0
Capital Assets - Net (Note 5)	23,546,415	31,995,973	55,542,388	0
<b>Total Assets</b>	<b>33,688,819</b>	<b>38,798,396</b>	<b>72,487,215</b>	<b>1,356,402</b>
<b>Liabilities:</b>				
Accounts Payable	2,520,305	1,458,538	3,978,843	191,864
Accrued and Other Liabilities	623,345	200,543	823,888	0
Due to Component Units	28,523	0	28,523	0
Deferred Revenue (Note 4)	77,868	0	77,868	0
Debt - Due within One Year (Note 7)	2,029,986	1,064,931	3,094,917	291,250
Other Noncurrent Liabilities - Due Within One Year	678,819	0	678,819	0
Noncurrent Liabilities:				
Estimated Worker's Compensation and Other Claims	1,516,734	0	1,516,734	0
Accrued Employee Benefits	979,591	0	979,591	0
Estimated Property Tax Chargebacks	292,800	0	292,800	0
Pension obligation	68,410	0	68,410	
Debt - Due In More Than One Year (Note 7)	12,183,924	9,396,534	21,580,458	7,325,797
<b>Total Liabilities</b>	<b>21,000,305</b>	<b>12,120,546</b>	<b>33,120,851</b>	<b>7,808,911</b>
<b>Net Assets (Deficit):</b>				
Invested in Capital Assets - Net of Related Debt	9,332,405	23,125,045	32,457,450	0
Restricted:				
Local and Major Streets	3,679,645	0	3,679,645	0
Drug Forfeiture	21,848	0	21,848	0
Capital Projects	70,998	0	70,998	0
Parks & Recreation	268,418	0	268,418	0
Environmental Protection Agency (Note 8)	0	118,118	118,118	0
Brownfield Authority Project	0	0	0	(3,821,931)
Unrestricted (Deficit)	(684,800)	3,434,687	2,749,887	(2,630,578)
<b>Total Net Assets (Deficit)</b>	<b>\$12,688,514</b>	<b>\$26,677,850</b>	<b>\$39,366,364</b>	<b>(\$6,452,509)</b>

*The notes to financial statements are an integral part of this statement.*

**CITY OF INKSTER, MICHIGAN**  
**STATEMENT OF ACTIVITIES**  
**JUNE 30, 2008**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$4,029,540	\$3,455,169	\$163,974	\$0
Public Safety	9,459,820	295,942	427,144	0
Public Works	6,796,295	0	4,079,824	0
Recreation and Culture	1,696,264	49,156	465,500	0
Interest on Long-Term Debt	439,575	0	0	0
<b>Total Government Activities</b>	<b>22,421,494</b>	<b>3,800,267</b>	<b>5,136,442</b>	<b>0</b>
Business - Type Activities - Water and Sewer	7,762,100	7,590,607	0	0
<b>Total Primary Government</b>	<b>30,183,594</b>	<b>11,390,874</b>	<b>5,136,442</b>	<b>\$0</b>
Component Units:				
Beech Daly Tax Increment Finance Authority	244,118	0	0	\$19,667
Brownfield Authority	979,181	0	0	0
Downtown Development Authority	160,787	0	0	0
<b>Total Component Units</b>	<b>\$1,384,086</b>	<b>\$0</b>	<b>\$0</b>	<b>\$19,667</b>

*The notes to financial statements are an integral part of this statement.*

**CITY OF INKSTER, MICHIGAN**  
**STATEMENT OF ACTIVITIES**  
**JUNE 30, 2008**  
**(Continued)**

Functions/Programs	Net (Expense) Revenue and Charges in Net Assets			
	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Primary Government:				
Governmental Activities:				
General Government	(\$410,397)	0	(\$410,397)	\$0
Public Safety	(8,736,734)	0	(8,736,734)	0
Public Works	(2,716,471)	0	(2,716,471)	0
Recreation and Culture	(1,181,608)	0	(1,181,608)	0
Interest on Long-Term Debt	(439,575)	0	(439,575)	0
<b>Total Government Activities</b>	<b>(13,484,785)</b>	<b>0</b>	<b>(13,484,785)</b>	<b>0</b>
Business - Type Activities - Water and Sewer	0	(171,493)	(171,493)	0
<b>Total Primary Government</b>	<b>(13,484,785)</b>	<b>(171,493)</b>	<b>(13,656,278)</b>	<b>0</b>
Component Units:				
Beech Daly Tax Increment Finance Authority	0	0	0	(224,451)
Brownfield Authority	0	0	0	(979,181)
Downtown Development Authority	0	0	0	(160,787)
<b>Total Component Units</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$1,364,419)</b>
General Revenues:				
Property Taxes	\$8,572,991	\$1,469,584	\$10,042,575	\$950,082
State-Shared Revenues	4,228,933	0	4,228,933	0
Unrestricted Investment Earnings	467,601	101,225	568,826	50,301
Franchise Fees	249,785	0	249,785	0
Miscellaneous	64,536	0	64,536	0
Healthcare Reimbursements	286,832	0	286,832	0
Joint Venture Investment Income	81,865	0	81,865	0
<b>Total General Revenues</b>	<b>13,952,543</b>	<b>1,570,809</b>	<b>15,523,352</b>	<b>1,000,383</b>
<b>Change in Net Assets</b>	<b>467,758</b>	<b>1,399,316</b>	<b>1,867,074</b>	<b>(364,036)</b>
<b>Net Assets (Deficit) - July 1, 2007</b>	<b>12,220,756</b>	<b>25,278,534</b>	<b>37,499,290</b>	<b>(6,088,473)</b>
<b>Net Assets (Deficit) - June 30, 2008</b>	<b>\$12,688,514</b>	<b>\$26,677,850</b>	<b>\$39,366,364</b>	<b>(\$6,452,509)</b>

*The notes to financial statements are an integral part of this statement.*



**CITY OF INKSTER, MICHIGAN  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2008**

	General Fund	Major Streets Fund	Local Streets Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash And Investments	\$2,352,834	\$1,923,285	\$1,163,877	\$456,181	\$5,895,977
Receivables - Net:					
Taxes Receivable	34,552	0	0	0	34,552
Long-Term Receivable From TIFA	0	972,047	0	0	972,047
Other	390,768	0	0	7,895	398,663
Restricted Assets (Note 8)	0	0	1,105,614	0	1,105,614
Due From Other Funds	211,322	0	0	0	211,322
Due From Component Unit	0	0	0	0	0
Due From Other Governments	545,634	183,253	77,941	238,160	1,044,988
Deposits/Prepaid	159,886	0	0	0	159,886
Inventories	1,715	0	0	0	1,715
<b>Total Assets</b>	<b>\$3,696,511</b>	<b>\$3,078,585</b>	<b>\$2,347,432</b>	<b>\$702,236</b>	<b>\$9,824,764</b>
<b>Liabilities And Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$1,657,699	\$579,451	\$119,513	\$98,620	\$2,455,283
Accrued And Other Liabilities	596,167	0	0	0	596,167
Due To Other Funds	0	0	0	211,322	211,322
Due to Component Units	0	0	0	28,523	28,523
Deferred Revenue		1,027,060	20,348	42,340	1,089,748
<b>Total Liabilities</b>	<b>2,253,866</b>	<b>1,606,511</b>	<b>139,861</b>	<b>380,805</b>	<b>4,381,043</b>
<b>Fund Balances</b>					
Reserved:					
Unspent Bond Proceeds in the Local Streets Fund	0	0	1,105,614	0	1,105,614
Inventories	1,715	0	0	0	1,715
Unreserved, reported in General Fund --					
Designated For Property Tax Chargebacks	440,701	0	0	0	440,701
Unreserved, Undesignated, Reported In:					
General Fund	1,000,229	0	0	0	1,000,229
Special Revenue Funds	0	1,472,074	1,101,957	268,431	2,842,462
Capital Projects Funds	0	0	0	53,000	53,000
<b>Total Fund Balances</b>	<b>1,442,645</b>	<b>1,472,074</b>	<b>2,207,571</b>	<b>321,431</b>	<b>5,443,721</b>
<b>Total Liabilities And Fund Balances</b>	<b>\$3,696,511</b>	<b>\$3,078,585</b>	<b>\$2,347,432</b>	<b>\$702,236</b>	<b>\$9,824,764</b>
<b>Fund Balance - Total Governmental Funds</b>					<b>\$5,443,721</b>
Amounts reported for Governmental Activities in the Statement of Net Assets are different because:					
Capital Assets used in Governmental Activities are not financial resources and are not reported in the funds.					22,672,727
Accounts Receivable from the Tax Increment Finance Authority will be collected over several years and are not available to pay for current year expenditures.					972,047
Part of Accounts Receivable(Grants) will be collected beyond 60 days after the end of the Fiscal year and would not be available to pay for the current year's expenditure					39,832
General Employee pension plan obligation not reported in the funds					(68,410)
Investment in Joint Venture not reported in the funds.					275,695
Long-Term Liabilities are not due and payable in the current period and are not reported in the funds.					(17,322,944)
Internal Service Funds are included as part of governmental activities.					675,846
<b>Net Assets of Governmental Activities</b>					<b>\$12,688,514</b>

*The notes to financial statements are an integral part of this statement.*

**CITY OF INKSTER, MICHIGAN  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUE, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2008**

	General Fund	Major Streets Fund	Local Streets Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenue</b>					
Property Taxes	\$7,864,811	\$0	\$1,807,963	\$708,180	\$10,380,954
Licenses and Permits	286,958	0	0	0	286,958
Federal Grants	0	0	0	1,009,553	1,009,553
State Revenues and Grants	4,456,864	1,173,009	495,737	0	6,125,610
Charges for Services	1,859,194	0	0	0	1,859,194
Interest	262,580	78,499	106,390	20,132	467,601
Administrative Charges and Other Revenue	3,054,053	0	0	233,266	3,287,319
<b>Total Revenue</b>	<b>17,784,460</b>	<b>1,251,508</b>	<b>2,410,090</b>	<b>1,971,131</b>	<b>23,417,189</b>
<b>Expenditures</b>					
Current:					
General Government	2,831,328	0	0	0	2,831,328
Public Safety	7,394,868	0	0	169,644	7,564,512
Highways, Streets, and Public Works	2,629,973	1,547,807	4,928,253	0	9,106,033
Grant Expenditures	0	0	0	809,386	809,386
Recreation and Culture	199,219	0	0	1,129,888	1,329,107
Non-Departmental	4,263,295	0	0	0	4,263,295
Debt Service	0	212,211	1,816,114	0	2,028,325
<b>Total Expenditures</b>	<b>17,318,683</b>	<b>1,760,018</b>	<b>6,744,367</b>	<b>2,108,918</b>	<b>27,931,986</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>465,777</b>	<b>(508,510)</b>	<b>(4,334,277)</b>	<b>(137,787)</b>	<b>(4,514,797)</b>
<b>Other Financing Sources/(Expenses)</b>					
Operating Transfers In	0	156,817	0	465,500	622,317
Operating Transfers Out	(465,500)	0	0	(19,667)	(485,167)
<b>Total Other Financing Sources</b>	<b>(465,500)</b>	<b>156,817</b>	<b>0</b>	<b>445,833</b>	<b>137,150</b>
<b>Net Change in Fund Balances</b>	<b>277</b>	<b>(351,693)</b>	<b>(4,334,277)</b>	<b>308,046</b>	<b>(4,377,647)</b>
<b>Fund Balances - July 1, 2007</b>	<b>1,442,368</b>	<b>1,823,767</b>	<b>6,541,848</b>	<b>13,385</b>	<b>9,821,368</b>
<b>Fund Balances - June 30, 2008</b>	<b>\$1,442,645</b>	<b>\$1,472,074</b>	<b>\$2,207,571</b>	<b>\$321,431</b>	<b>\$5,443,721</b>

*The notes to financial statements are an integral part of this statement.*

CITY OF INKSTER, MICHIGAN  
GOVERNMENTAL FUNDS  
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008

<b>Net Change In Fund Balances - Total Governmental Funds</b>	<b>(\$4,377,647)</b>
Amounts Reported For Governmental Activities In The Statement of Activities Are Different Because:	
Governmental Funds Report Capital Outlays As Expenditures; In The Statement of Activities, These Costs Are Allocated Over Their Estimated Useful Lives As Depreciation:	
Capital Outlay	4,652,614
Depreciation Expenses	(1,285,565)
Repayment of Bond Principal Is An Expenditure In The Governmental Funds, But Not In The Statement of Activities (Where It Reduces Long-Term Debt)	1,705,000
Decrease In Estimated Long-Term General Liability Claims	550,800
Decrease In Long-Term Accrued Employee Sick And Vacation Pay	4,314
Increase In Property Tax Chargeback Accrual	(132,176)
Increase In pension obligation expense	(165,347)
Reimbursement From The TIFA For Debt Principal Payments	(116,250)
Internal Service Funds Are Also Included As Governmental Activities	(249,782)
Increase in Joint Venture Investment	81,865
Decrease in Deferred Revenue	<u>(200,068)</u>
<b>Change In Net Assets Of Governmental Activities</b>	<b><u>\$467,758</u></b>

*The notes to financial statements are an integral part of this statement.*

**CITY OF INKSTER, MICHIGAN  
PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS  
JUNE 30, 2008**

	Enterprise - Water and Sewer Fund	Internal Service Fund
<b>Assets</b>		
Current Assets:		
Cash and Cash Equivalents	\$567,227	\$222,039
Receivables - Net	4,283,976	0
Due from Other Governmental Units	0	0
Due from Other Funds	0	0
Inventories	175,940	31,228
Deferred Bond Issuance Costs	184,743	0
<b>Total Current Assets</b>	<b>5,211,886</b>	<b>253,267</b>
Non-Current Assets:		
Restricted Assets	1,590,537	0
Capital Assets	31,995,973	873,688
<b>Total Non-Current Assets</b>	<b>33,586,510</b>	<b>873,688</b>
<b>Total Assets</b>	<b>38,798,396</b>	<b>1,126,955</b>
<b>Liabilities</b>		
Current Liabilities:		
Accounts Payable	1,458,538	65,022
Accrued and Other Liabilities	176,303	27,178
Bonds and Deposits	24,240	0
Current Portion of Long-Term Debt	1,064,931	269,986
<b>Total Current Liabilities</b>	<b>2,724,012</b>	<b>362,186</b>
Non-Current Liabilities - Long-Term Debt - Net of Current Portion	9,396,534	88,923
<b>Total Liabilities</b>	<b>12,120,546</b>	<b>451,109</b>
<b>Net Assets</b>		
Investment in Capital Assets - Net of Related Debt	23,125,045	514,779
Restricted	118,118	0
Unrestricted	3,434,687	161,067
<b>Total Net Assets</b>	<b>\$26,677,850</b>	<b>\$675,846</b>

*The notes to financial statements are an integral part of this statement.*

**CITY OF INKSTER, MICHIGAN  
PROPRIETARY FUNDS  
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2008**

	Enterprise - Water and Sewer Fund	Internal Service Funds - Garage Fund
<b>Operating Revenue</b>		
Water and Sewer User Charges	\$6,462,481	\$0
Federal Grants	293,775	0
Other Charges for Services	803,257	1,410,895
<b>Total Operating Revenue</b>	<b>7,559,513</b>	<b>1,410,895</b>
<b>Operating Expenses</b>		
Cost of Water	1,086,423	0
Cost of Sewage Disposal	2,137,217	0
Wages and Fringes	513,248	241,955
Operating Supplies	37,575	394,733
Contractual Services	829,675	256,950
Repairs and Maintenance	499,732	287,064
Insurance, Claims, and Other	239,200	100,600
Depreciation	889,513	359,254
Bad Debts	151,708	0
Non-Departmental	839,103	0
<b>Total Operating Expenses</b>	<b>7,223,394</b>	<b>1,640,556</b>
<b>Operating Income (Loss)</b>	<b>336,119</b>	<b>(229,661)</b>
<b>Non-Operating Revenue (Expense)</b>		
Investment Income	101,225	13,016
Interest Expense	(538,706)	(33,137)
Property Taxes	1,469,584	0
State Grant (Note 14)	31,094	0
<b>Total Non-Operating Revenue (Expense)</b>	<b>1,063,197</b>	<b>(20,121)</b>
<b>Income (Loss)</b>	<b>1,399,316</b>	<b>(249,782)</b>
<b>Change in Net Assets</b>	<b>1,399,316</b>	<b>(249,782)</b>
<b>Net Assets - July 1, 2007</b>	<b>25,278,534</b>	<b>925,628</b>
<b>Net Assets - June 30, 2008</b>	<b>\$26,677,850</b>	<b>\$675,846</b>

*The notes to financial statements are an integral part of this statement.*

**CITY OF INKSTER, MICHIGAN  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2008**

	Enterprise - Water and Sewer Fund	Internal Service Funds - Garage Fund
<b>Cash Flows from Operating Activities</b>		
Receipts from Customers	\$6,560,160	\$0
Receipts from Grants	686,002	0
Payments to Suppliers	(5,846,322)	(1,063,188)
Payments to Employees	(511,000)	(241,013)
Internal Activity - Payments from (to) Other Funds	945,864	1,410,895
<b>Net Cash Provided by Operating Activities</b>	<b>1,834,704</b>	<b>106,694</b>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds from Property Tax Levy Restricted for Debt Service	1,469,584	0
Purchase of Capital Assets	(3,401,981)	(197,619)
Principal and Interest Paid on Capital Debt	(1,518,890)	(288,042)
New Bond Issue/Capital Leases	0	166,194
State Grant	31,094	0
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>(3,420,193)</b>	<b>(319,467)</b>
<b>Cash Flows from Investing Activities - Interest on Investments</b>	<b>101,225</b>	<b>13,016</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(1,484,264)</b>	<b>(199,757)</b>
<b>Cash and Cash Equivalents - July 1, 2007</b>	<b>2,051,491</b>	<b>421,796</b>
<b>Cash and Cash Equivalents - June 30, 2008</b>	<b>\$567,227</b>	<b>\$222,039</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>		
Operating Income (Loss)	\$336,119	(\$229,661)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:		
Depreciation and Amortization	889,513	359,254
Changes in Assets and Liabilities:		
Receivables	(222,988)	0
Inventories	(35,195)	(21,040)
Deferred Bond Issuance Costs	30,791	0
Accounts Payable and Accrued Liabilities	11,754	(1,859)
Restricted Assets	(121,154)	0
Due to Other Funds	945,864	0
<b>Net Cash Provided by Operating Activities</b>	<b>\$1,834,704</b>	<b>\$106,694</b>

**Non-Cash Investing, Capital, and Financing Activities** - During the year ended June 30, 2008, the following non-cash activities occurred:

The Enterprise Fund is involved in the Rouge River National Wet Weather Demonstration Project. This activity was administered by Wayne County and is recorded in the restricted assets held at Wayne County as described in Note 8. Interest of \$ 77,055 was earned on monies held at the County.

The Enterprise Fund received \$1,052 in interest earnings as described in Note 8 on the monies held at the County for the North Huron Valley/Rouge Valley Sewer System improvements.

*The notes to financial statements are an integral part of this statement.*

CITY OF INKSTER, MICHIGAN  
FIDUCIARY FUNDS  
STATEMENT OF NET ASSETS  
JUNE 30, 2008

	Pension and Other Employee Benefit Trust Funds	Agency Fund - Escrow Fund
<b>Assets</b>		
Cash and Cash Equivalents	\$0	\$579,685
Investments:		
Corporate Bonds	1,959,257	0
U.S. Government Securities	154,670	0
U.S. Government Agency Securities	7,462,335	0
Common and Preferred Stock	17,324,805	0
Pension Guarantee Contract Pooled Fund	8,382,762	0
Bank Investment Pools	1,045,037	0
Receivables - Accrued Interest and Other	46,312	0
	<u>\$36,375,178</u>	<u>\$579,685</u>
<b>Total Assets</b>		
	<u>\$36,375,178</u>	<u>\$579,685</u>
<b>Liabilities</b>		
Bonds and Deposits	\$0	\$579,685
	<u>\$0</u>	<u>\$579,685</u>
<b>Total Liabilities</b>		
	<u>\$0</u>	<u>\$579,685</u>
<b>Net Assets - Held in Trust for Employee Pension Benefits</b>	<u>\$36,375,178</u>	

*The notes to financial statements are an integral part of this statement.*

**CITY OF INKSTER, MICHIGAN  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2008**

	<u>Pension and Other Employee Benefit Trust Funds</u>
<b>Additions</b>	
Investment Income:	
Interest and Dividends	\$1,229,279
Net Increase (decrease) in Fair Value of Investments	<u>(919,569)</u>
Net Investment Income	309,710
Contributions:	
Employer	643,448
Employee	<u>411,466</u>
Total Contributions	<u>1,054,914</u>
Total Additions	1,364,624
<b>Deductions</b>	
Benefit Payments	2,199,129
Refunds of Contributions	34,163
Administrative Expenses	<u>354,901</u>
Total Deductions	<u>2,588,193</u>
<b>Net Increase</b>	(1,223,569)
<b>Net Assets - Held in Trust for Pension and Other Employee Benefits</b>	
July 1, 2007	<u>37,598,747</u>
June 30, 2008	<u><u>\$36,375,178</u></u>

*The notes to financial statements are an integral part of this statement.*



**CITY OF INKSTER, MICHIGAN**  
**COMPONENT UNITS**  
**STATEMENT OF NET ASSETS (DEFICIT)**  
**JUNE 30, 2008**

	Economic Development Corporation	Beech Daly Tax Increment Finance Authority	Brownfield Redevelopment Authority	Downtown Development Authority	Total
<b>Assets</b>					
Cash and investments	\$1,445	\$392,075	\$469,174	\$457,850	\$1,320,544
Due from primary government	0	0	28,523	0	28,523
Accounts receivable	0	7,335	0	0	7,335
Total assets	1,445	399,410	497,697	457,850	1,356,402
<b>Liabilities</b>					
Accounts payable	0	95	164,628	27,141	191,864
Due to primary government	0	0	0	0	0
Liabilities to be paid from restricted assets:					
Long-term debt	0	3,462,047	4,155,000	0	7,617,047
Total liabilities	0	3,462,142	4,319,628	27,141	7,808,911
<b>Net Assets (Deficit)</b>					
Restricted for Brownfield Project	0	0	(3,821,931)	0	(3,821,931)
Unrestricted (deficit)	1,445	(3,062,732)	0	430,709	(2,630,578)
Total net assets (deficit)	\$1,445	(\$3,062,732)	(\$3,821,931)	\$430,709	(\$6,452,509)

The notes to financial statements are an integral part of this statement.

**CITY OF INKSTER, MICHIGAN  
COMPONENT UNITS  
STATEMENTS OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008**

	Program Revenues			Net (Expenses) Revenue and Changes In Net Assets				
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Economic Development Corporation	Beech Daly Tax Increment Finance Authority	Brownfield Redevelopment Authority	Downtown Development Authority	Total
<b>Economic Development Corporation</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Beech Daly Tax Increment Finance Authority	244,118	0	19,667	0	(224,451)	0	0	(224,451)
Brownfield Tax Increment Finance Authority	979,181	0	0	0	0	(979,181)	0	(979,181)
Downtown Development Authority	160,787	0	0	0	0	0	(160,787)	(160,787)
<b>Total governmental activities</b>	<b>\$1,384,086</b>	<b>\$0</b>	<b>\$19,667</b>	<b>\$0</b>	<b>(\$224,451)</b>	<b>(\$979,181)</b>	<b>(\$160,787)</b>	<b>(\$1,364,419)</b>
<b>General revenues:</b>								
Property taxes				\$0	\$765,859	\$36,440	\$147,783	\$950,082
Interest				76	14,220	14,052	21,953	50,301
<b>Total general revenues</b>				<b>76</b>	<b>780,079</b>	<b>50,492</b>	<b>169,736</b>	<b>1,000,363</b>
<b>Change in Net Assets (Deficit)</b>				<b>76</b>	<b>555,628</b>	<b>(928,689)</b>	<b>8,949</b>	<b>(364,036)</b>
<b>Net Assets (Deficit) - July 1, 2007</b>				<b>1,369</b>	<b>(3,618,360)</b>	<b>(2,693,242)</b>	<b>421,760</b>	<b>(6,088,473)</b>
<b>Net Assets (Deficit) - June 30, 2008</b>				<b>\$1,445</b>	<b>(\$3,062,732)</b>	<b>(\$3,821,931)</b>	<b>\$430,709</b>	<b>(\$6,452,509)</b>

**CITY OF INKSTER, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008**

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the City of Inkster, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City.

Reporting Entity

The City is governed by an elected mayor and six-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the City's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate for the City (see discussion below for description).

The Inkster Building Authority is governed by a board that is appointed by the City Council. Although it is legally separate from the City, it is reported as if it were part of the primary government because its primary purpose is to finance and construct the City's buildings.

The following component units are reported within the component units column in the combined financial statements. They are reported in a separate column to emphasize that they are legally separate from the City.

- a. The Economic Development Corporation was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to the residents of the City. The Economic Development Corporation's governing body, which consists of 11 individuals, is selected by the City Council.
- b. The Beech Daly Tax Increment Finance Authority (TIFA) was created to correct and prevent deterioration in the TIFA district, encourage historical preservation, and to promote economic growth within the district. The TIFA's governing body, which consists of 13 individuals, is selected by the City Council.
- c. The Downtown Development Authority (DDA) was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The Downtown Development Authority's governing body, which consists of nine individuals, is selected by the City Council.

**CITY OF INKSTER, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2008**  
**(Continued)**

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- d. The Brownfield Redevelopment Authority was created to revert tax-reverted and condemned properties as well as other properties into new residential housing. The Brownfield Redevelopment Authority's governing body, which consists of not less than five individual, is selected by the City Council.

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets (deficit) and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed for these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual Enterprise Fund are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**CITY OF INKSTER, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008  
(Continued)**

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. Major revenue types for which receivables are recorded on the current accounting period's balance sheet include property taxes and state-shared revenue. All other revenue items are considered to be available only when cash is received by the City.

The City reports the following major governmental funds:

- The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Major Streets Fund is a Special Revenue Fund that accounts for revenue received from gasoline tax through the State of Michigan under ACT 51. Expenditures of this fund include the maintenance of major streets, as well as improvement of roadways and related financing expenditures.
- The Local Streets Fund is a Special Revenue Fund that accounts for revenue received from gasoline tax through the State of Michigan under ACT 51. Expenditures of this fund include the maintenance of local streets, as well as improvement of roadways and related financing expenditures.

The City reports the following major proprietary fund:

- The Water and Sewer Fund is the City's only proprietary fund. It accounts for the activities of the water distribution system and sewage collection system.

Additionally, the City reports the following fund types:

- The Internal Service Fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. The City's only Internal Service Fund is the Garage Fund, which is used to account for the City's vehicles and other machinery.

**CITY OF INKSTER, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2008**  
**(Continued)**

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- Special Revenue Funds account for the revenues and expenditures related to drug enforcement and traffic immobilization activities and Community Development Block Grant and other miscellaneous grant activity.
- Capital Projects Funds accounts for the development and improvement of capital facilities and sidewalks, other than those financed by the operations of the proprietary fund.
- Pension Trust Funds account for the activities of the police and fire employees' retirement system and general government employees' retirement system, which accumulate resources for pension benefit payments to qualified employees.
- The Agency Fund is used to account for assets held by the City as an agent for individuals, organizations, other governments, or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

The effect of interfund activity has been eliminated from the government-wide financial statements. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

The proprietary fund distinguishes operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. The principal operating revenue of the City's proprietary fund relates to charges to customers for sales and services.

**CITY OF INKSTER, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008  
(Continued)**

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for the proprietary fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

**Property Tax Revenue**

Property taxes are assessed on the taxable valuation of property as of the preceding December 31. The related property taxes are billed on July 1 and December 1 of the following year. Taxes are considered delinquent on March 1 and September 1 of the following year, at which time penalties and interest are assessed. The City's 2007 tax is levied and collectible on July 1 and December 1, 2007, and is recognized as revenue in the year ended June 30, 2008 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2007 taxable valuation of the City totaled \$357,721,069 (a portion of which is abated and a portion of which is captured by the TIFA, Brownfield and DDA), on which taxes levied consisted of 17.2349 mills for operating purposes, 2.5851 mills for rubbish collection services, and 10.2528 mills for debt service. This resulted in approximately \$5.7 million for operations, approximately \$925,000 for rubbish collection services, and approximately \$2.6 million for debt service. These amounts are recognized in the General Fund, Enterprise Fund and Local Streets (Special Revenue) Fund financial statements as tax revenue. The Parks and Recreation fund had a tax millage of 1.9814 mills resulting in a tax revenue of approximately \$708,000.

**Assets, Liabilities, and Net Assets or Equity**

**Cash Equivalents** – Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

**Investments** – Investments are recorded at fair value. Securities traded on a national exchange are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair value. See Note 3 for additional investment information.

**Receivables and Payables** – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds."

**CITY OF INKSTER, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2008**  
**(Continued)**

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Receivables and Payables (Continued)** – Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.” All trade and property tax receivables are shown net of allowance for uncollectible amounts.

**Allowance for Doubtful Accounts** – All water and sewer and property tax receivables are shown net of allowances for doubtful accounts. The allowance for uncollectible water billings in the Utility Fund is \$335,000 at June 30, 2008. The allowance for uncollectible taxes in the General Fund is approximately \$73,000 at June 30, 2008.

**Inventories** – Inventories are valued at cost, on a first-in first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

**Restricted Assets** – The revenue bonds of the Enterprise Fund require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets, as well as amounts on deposit at the County being held for the construction or debt service of the City’s water and sewer system. The unspent bond proceeds in the Local Streets Fund are required to be set aside for local street construction. These amounts have been classified as restricted assets

**Capital Assets** – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.



**CITY OF INKSTER, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2008**  
**(Continued)**

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Roads and sidewalks	15 to 30 years
Water and sewer systems	50 to 75 years
Buildings and building improvements	40 to 50 years
Vehicles	3 to 10 years
Office furnishings	7 to 10 years
Other tools and equipment	7 to 10 years

In conjunction with the Carver Homes project (see Note 5), the City and the Brownfield Redevelopment Authority have agreed to acquire, improve, and then sell to the developer certain property in the City. Consistent with the lower-of-cost or market valuation principle, the project expenditures incurred through June 30, 2008, which are reported by the Brownfield Redevelopment Authority, have been expensed since it anticipated that the future costs to acquire the property will exceed the future sales price to the developer.

**Compensated Absences (Vacation and Sick Leave)** – It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation pay is accrued when incurred in the government-wide proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end.

**Property Tax Chargeback** – The property tax chargebacks represent real property tax collected from the County Tax Revolving Fund that is estimated to be uncollectible when the related parcels are later sold in land sales. The balance at June 30, 2008 consists of those amounts estimated to be charged back to the City in the years after June 30, 2008.

**Long-term Obligations** – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are generally deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable recorded bond premium or discount.

**CITY OF INKSTER, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008  
(Continued)**

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Long-term Obligations (Continued)** – Recorded bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize recorded bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Generally, premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance cost are reported as debt service expenditures.

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted the United State of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**2) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Construction Code Fees** – The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of current year activity and the cumulative shortfall generated since January 1, 2000 is as follows:

Shortfall at July 1, 2007		(\$196,466)
Current year building permit revenue		241,103
Related expenses:		
Direct costs	\$337,512	
Estimated indirect costs	106,740	
		<u>(444,252)</u>
Total construction code expenses		<u>(444,252)</u>
Cumulative shortfall at June 30, 2008		<u>(\$398,615)</u>

**CITY OF INKSTER, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008  
(Continued)**

**2) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)**

**Fund Deficit** – The Beech Daly Tax Increment Finance Authority reported a negative balance of unrestricted net assets at June 30, 2008. However, the modified accrual unreserved fund balance of its General Fund is \$399,315. Therefore, this is not considered a fund deficit. The Brownfield Tax Increment Finance Authority reported a negative balance of unrestricted net assets at June 30, 2008. However, the modified accrual unreserved fund balance is \$333,069 therefore this is not considered a fund deficit. See Note 5 for further discussion of the Brownfield Carver Homes Project. Also, the grants fund (non-major special revenue fund) has a fund deficit of \$39,832. This is due to grant funds not meeting the availability criteria since they were not received within 60 days of fiscal year-end.

**3) DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91 (Public Act of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The pension trust funds are also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The City has designated two banks for the deposit of local unit funds. The investment policy adopted by the City in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs for the City's funds. The City's deposits and investment policy are in accordance with statutory authority.

**Custodial Credit Risk of Investments**

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a formal policy for custodial credit risk. At year end, the City had \$7,372,745 of bank deposits (certificates of deposit, checking, and saving accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**CITY OF INKSTER, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008  
(Continued)**

**3) DEPOSITS AND INVESTMENTS (Continued)**

**Interest Rate Risk**

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At the end of the year, the average maturities of investments are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
U.S. Government or Agency	\$7,462,335	5.54 years
Treasury Notes & Bonds	154,670	15.00 years
Corporate Bonds	1,959,257	3.91 years

**Credit Risk**

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Investment Pools (Pension)	\$9,427,799	None	
Corporate Bonds	1,025,000	AA	S&P
	892,000	A	S&P
	42,257	BBB	S&P
U.S. Agencies not explicitly guaranteed by the U.S. Government	7,486,670	AAA	S&P
	130,335	A	S&P

**Component Units**

The cash and cash equivalents of the City component units consist of interests in the City's shared bank accounts totaling \$1,320,544 at June 30, 2008. The portion of these balances covered by federal depository insurance is not known since the accounts are shared with the City.

**CITY OF INKSTER, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2008**  
**(Continued)**

**4) RECEIVABLES AND RELATED DEFERRED REVENUE**

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Receivable from Component Unit-TIFA*	\$972,047	\$0
Grants received prior to meeting all eligibility requirements	<u>39,832</u>	<u>77,868</u>
<b>Total</b>	<u><u>\$1,011,879</u></u>	<u><u>\$77,868</u></u>

\*The City issued bonds on behalf of the TIFA, which are discussed in detail in Note 7. The TIFA has committed to repay 75 percent of the bonds' debt service, including past payments made by the City, which were in excess of the TIFA's ability to repay at that time. The City's Major Streets Fund has recorded this receivable at an amount equal to the 75 percent of the bonds principal payments plus \$38,297 for past payments made by the City. The interest portion of the bond payments will be recorded when received. The TIFA's current and future commitment to the repayment of these bonds is limited to its ability to capture sufficient revenue.

**CITY OF INKSTER, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2008**  
**(Continued)**

**5) CAPITAL ASSETS**

Capital asset activity of the City's governmental and business-type activities was as follows:

<b><u>Governmental Activities:</u></b>	<b><u>Balance July 1, 2007</u></b>	<b><u>Additions 2007-08</u></b>	<b><u>Adjustments 2007-08</u></b>	<b><u>Disposals 2007-08</u></b>	<b><u>Balance June 30, 2008</u></b>
Capital assets not being depreciated:					
Land	\$307,195	\$0	\$0	\$0	\$307,195
Capital assets being depreciated:					
Land improvements	284,737	0	0	0	284,737
Roads and sidewalks	18,654,079	4,566,812	0	0	23,220,891
Buildings and improvements	7,581,027	0	0	0	7,581,027
Vehicles	4,795,798	197,619	0	(62,944)	4,930,473
Furniture and equipment	4,365,105	85,802	0	(39,501)	4,411,406
<b>Subtotal</b>	<b>35,680,746</b>	<b>4,850,233</b>	<b>0</b>	<b>(102,445)</b>	<b>40,428,534</b>
Accumulated depreciation:					
Land improvements	56,948	14,237	0	0	71,185
Roads and sidewalk	4,253,814	780,408	0	0	5,034,222
Buildings and improvements	4,546,932	162,459	0	0	4,709,391
Vehicles	3,751,948	371,762	0	(62,944)	4,060,766
Furniture and equipment	3,037,398	315,953	0	(39,501)	3,313,850
<b>Subtotal</b>	<b>15,647,040</b>	<b>1,644,819</b>	<b>0</b>	<b>(102,445)</b>	<b>17,189,414</b>
Net capital assets being depreciated	20,033,706	3,205,414	0	0	23,239,120
Net capital assets	<u>\$20,340,901</u>	<u>\$3,205,414</u>	<u>\$0</u>	<u>\$0</u>	<u>\$23,546,315</u>

**CITY OF INKSTER, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2008**  
**(Continued)**

**5) CAPITAL ASSETS (Continued)**

	Balance July 1, 2007	Additions 2007-08	Deletions 2007-08	Balance June 30, 2008
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	\$2,745	\$0	\$0	\$2,745
Construction in progress	1,416,311	3,401,981	0	4,818,292
<b>Subtotal</b>	1,419,056	3,401,981	0	4,821,037
Capital assets being depreciated:				
Water and sewer dist. system	38,093,254	0	0	38,093,254
Buildings and building improvements	66,444	0	0	66,444
Office furnishings	4,348	0	0	4,348
Other tools and equipment	22,676	0	0	22,676
<b>Subtotal</b>	38,186,722	0	0	38,186,722
Accumulated depreciation:				
Water and sewer dist. system	10,028,805	889,513	0	10,918,318
Buildings and building improvements	66,444	0	0	66,444
Office furnishings	4,348	0	0	4,348
Other tools and equipment	22,676	0	0	22,676
<b>Subtotal</b>	10,122,273	889,513	0	11,011,786
<b>Net capital assets being depreciated</b>	28,064,449	(889,513)	0	27,174,936
<b>Net capital assets</b>	<u>\$29,483,505</u>	<u>\$2,512,468</u>	<u>\$0</u>	<u>\$31,995,973</u>

Depreciation expense was charged to programs of the primary government as follows:

<b>Governmental Activities</b>	
General government	133,319
Public safety	244,403
Public works	20,631
Culture and recreation	106,804
Road infrastructure	780,408
Internal service funds depreciation charged to various functions based on their usage of the assets	359,254
<b>Total governmental activities</b>	<u>\$1,644,819</u>
<b>Business-type activities - Water and sewer</b>	<u>\$889,513</u>

**CITY OF INKSTER, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008  
(Continued)**

**5) CAPITAL ASSETS (Continued)**

**Construction Commitments** – The City has active road construction projects at year-end related to the 2003 and 2008 local road bond issues. At year-end, the City's construction commitments approximated \$2,000,000.

The City of Inkster, Michigan, in conjunction with the City of Inkster Brownfield Redevelopment Authority, has entered into an agreement with a development company and its affiliate to redevelop the Carver Homes area of the City. Under the agreement, the City will acquire, improve, and then sell the project real estate to the developer. The City issued bonds for \$2,000,000 during the fiscal year 2003/04 and transferred the proceeds to the Brownfield Redevelopment Authority to be used for preliminary engineering and administrative costs as well as property acquisition and demolition expenditures. The City has reprogrammed future grant funds to pay for the majority of the debt service costs of this issue. The City is also relying on current and future grant monies to fund the related relocation costs.

It is intended that the Carver Homes area redevelopment project will be amended to split the project into three phases (PH1A, PH1B and PH2) subject to the developer meeting two conditions before construction. The first condition requires the developer to provide the City a notice to proceed with construction on one hundred and eight (108) homes in the development area. The second condition requires the developer to provide evidence to the City that the developer can guarantee payment of a future \$4,155,000 City debt issue for the infrastructure cost of this development. The City has received the notice to proceed and the guarantee.

Phase 1A requires that the developer build seventeen (17) homes on Annapolis Avenue. The developer will pay for the infrastructure for the seventeen (17) homes. In exchange, the City will sell the land where the seventeen (17) homes will be located for one dollar (\$1.00). Phase 1B requires that the developer build ninety-one (91) more homes in the development area. This work began in the fiscal year 2006/07.

From the proceeds the City will reimburse the developer for infrastructure costs on the first seventeen (17) homes built and pay for the cost of the infrastructure for the remaining ninety-one (91) homes. Once the debt is sold for the entire project and the developer is reimbursed for infrastructure costs in Phase 1A, the developer will pay \$2,000 per lot to the City for all lots developed in the development area. The bond issue was closed on November 8, 2006. It is intended that debt service costs from the \$4,155,000 debt issue will be paid from tax captures from the City Brownfield development area.

**Commitment** – During the year ended June 30, 1992, the City negotiated an agreement with the Michigan Department of Natural Resources to ensure compliance with the Clean Water Act. This agreement requires the construction of retention basins and/or the construction of separate sanitary and storm sewer lines to be completed to two phases. Phase one of the project was substantially complete at June 30, 2003 and phase two Western Out Falls design work was started in 2006. The construction for Western Out Falls and design and construction for Eastern Out Falls is expected to be completed by 2013. The estimated cost of phase two is not anticipated to exceed \$54,000,000.



**CITY OF INKSTER, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008  
(Continued)**

**6) INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

<u>Fund Due to</u>	<u>Fund Due from</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$211,322
Brownfield (Component Unit)	Nonmajor Governmental Funds	28,523

**TRANSFERS**

<u>From</u>	<u>To</u>	<u>Amount</u>
General Fund	Parks & Recreation Fund	\$465,500
Capital Improvement Fund	TIFA( Component Unit)	19,667
TIFA (Component Unit)	Major Streets Fund	56,817

**CITY OF INKSTER, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2008**  
**(Continued)**

**7) LONG-TERM DEBT**

The following is a summary of the primary government debt of the City outstanding as of June 30, 2008:

	Interest Rate Ranges	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Due Within One Year
<b>Governmental Activities</b>						
General obligation bonds						
(for road and other construction):						
Act 175 Motor Vehicle Bond, 2001 Series						
Refunding bonds						
Amount of Issues - \$1,780,000	2.00% -					
Maturing through 8/2014	4.625%	\$1,400,000	\$0	(\$155,000)	\$1,245,000	\$155,000
General Obligation, Unlimited Tax 2003 Series						
Local road bonds						
Amount of Issues - \$5,000,000	2.5% -					
Maturing through 3/2013	3.625%	3,140,000	0	(480,000)	\$2,660,000	495,000
2003 Capital improvement Bonds						
Amount of Issues - \$2,000,000	2.5% -					
Maturing through 11/2013	5.125%	1,455,000	0	(180,000)	\$1,275,000	190,000
Unlimited Tax General Obligation						
Local street bonds, series 2006						
Amount of issue - \$5,000,000	4.0% -					
Maturing through 3/1/2016	4.250%	4,565,000	0	(455,000)	\$4,110,000	465,000
Local Road Bonds, Series 2007 B						
Amount of issue- \$5,000,000						
Maturing through 3/1/2017	4.110%	5,000,000	0	(435,000)	\$4,565,000	455,000
<b>Total bond obligations</b>		<b>15,560,000</b>	<b>0</b>	<b>(1,705,000)</b>	<b>13,855,000</b>	<b>1,760,000</b>
<b>Other long-term obligations</b>						
Sweeper purchase						
Amount of Issue - \$147,500						
Maturing through 6/30/2008	4.08%	60,120	0	(29,453)	30,667	30,667
Bucket Truck purchase						
Amount of Issue - \$94,500						
Maturing through 7/15/2005	3.94%	37,719	0	(18,491)	19,228	19,228
Fire Truck & Ambulance purchase						
Amount of Issue - \$558,852						
Maturing through 7/2008	3.80%	239,973	0	(117,697)	122,276	122,275
Jeep & Ford 500						
Amount of Issue - \$42,250						
Maturing through 9/2008	5.80%	27,365	0	(13,297)	14,069	14,069
4 Patrol Cars						
Amount of Issue - \$82,260						
Maturing through 12/2008	5.60%	53,333	0	(25,940)	27,393	27,393
2 Ford Rangers & 1 Ford 150						
Amount of Issue - \$53,110						
Maturing through 1/2011	5.60%	41,300	0	(9,497)	31,803	10,029
2 Ford F-250 Pick Ups						
Amount of Issue- \$44,416						
Maturing through 10/2011	5.60%	0	44,416	(9,877)	34,539	7,942
2 Ford Taurus-2008						
Amount of Issue- \$38,674						
Maturing through 10/2009	5.65%	0	38,674	(13,606)	25,068	12,190
4 Ford Crown Vic Police Cars						
Amount of Issue - \$83,104						
Maturing through 11/2009	5.65%	0	83,104	(29,237)	53,867	26,193
<b>Total other long-term obligations</b>		<b>459,811</b>	<b>166,194</b>	<b>(267,095)</b>	<b>358,910</b>	<b>269,986</b>
<b>Total Governmental Activities</b>		<b>\$16,019,811</b>	<b>\$166,194</b>	<b>(\$1,972,095)</b>	<b>\$14,213,910</b>	<b>\$2,029,986</b>

**CITY OF INKSTER, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2008**  
**(Continued)**

**7) LONG-TERM DEBT (Continued)**

	Interest Rate Ranges	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Due Within One Year
<b>Business-type Activities</b>						
Wayne County Contracts (for construction of system improvements):						
Wayne County Sewage Disposal System, 1994 North Huron Valley System						
Amount of Issue - \$556,516	5.6% -					
Maturing through 5/2009 - Net of \$3,434 of deferred charges at June 30, 2008	6.00%	\$101,016	\$0	(\$50,728)	\$50,288	\$50,288
Wayne County Sewage Disposal System, 1999 CSO Basin Series B Refunding Bonds						
Amount of Issue - \$2,730,000	3.75% -					
Maturing through 11/2015 - Net of \$86,538 of deferred charges at June 30, 2008	4.80%	2,058,462	0	(200,000)	\$1,858,462	205,000
Wayne County Sewage Disposal System, 1999 CSO Basin Series C Refunding Bonds						
Amount of Issue - \$6,390,000	3.75% -					
Maturing through 11/2015 - Net of \$201,928 of deferred charges at June 30, 2008	4.80%	4,753,072	0	(480,000)	\$4,263,072	510,000
1994 State Revolving Fund Loan						
Amount of Issue - \$2,580,000						
Maturing through 4/2016	2.00%	1,295,000	0	(135,000)	\$1,160,000	135,000
CSO Bonds						
Amount of Issue - \$3,200,000	4.0%-					
Maturing through 2026	5.25%	3,200,000	0	(115,000)	\$3,085,000	120,000
<b>Total business-type activities</b>		<b>\$11,407,550</b>	<b>\$0</b>	<b>(\$980,728)</b>	<b>\$10,416,822</b>	<b>\$1,020,288</b>

\*\* A portion of these bonds was defeased during the year ended June 30, 2003.

**CITY OF INKSTER, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2008**  
**(Continued)**

**7) LONG-TERM DEBT (Continued)**

	Interest Rate Ranges	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Due Within One Year
<b>Component Units</b>						
Beech Daly Tax Increment Finance Authority - Road Improvement						
2001 Series Bonds*						
Amount of Issue - \$1,655,000	2.00%					
Maturing through 11/2019	5.00%	\$1,375,000	\$0	(\$110,000)	\$1,265,000	\$105,000
Beech Daly Tax Increment Finance Authority - City Facilities Project						
Series 2008						
Amount of Issue - \$1,300,000	4.6% -					
Maturing through 11/1/2025	5.0%	1,270,000	0	(45,000)	1,225,000	45,000
Due to the City of Inkster						
75% of City of Inkster 2001 Series Act 175 Motor Vehicle Highway Refunding Bonds						
Original amount of obligation - \$1,335,000 (75% of \$1,780,000)	2.00% -					
Maturing through 8/2014	4.625%	1,050,000	0	(116,250)	933,750	116,250
Brownfield Redevelopment Authority-Tax Incremental Bonds-Series 2008						
Amount of Issue- \$ 4,155,000	6.2%-					
Maturing through 11/2025	6.125%	4,155,000	0	0	4,155,000	25,000
Reimbursement obligation - Historical portion - Payable when funds are available		38,297	0	0	38,297	0
<b>Total business-type activities</b>		<b>\$7,888,297</b>	<b>\$0</b>	<b>(\$271,250)</b>	<b>\$7,617,047</b>	<b>\$291,250</b>

\*A portion of these bonds was defeased during the year ended June 30, 2003.

Under certain circumstances, the issuance of future Enterprise fund bonds is restricted unless "net revenues" meets minimum bond requirements.

The City has pledged its full faith and credit for the bond obligation of the Beech Daly Tax Increment Finance Authority, a component unit.

The City anticipates that 75 percent of the debt service requirement for two of the Act 175 Motor Vehicle Highway bonds (with an outstanding balance of \$933,750 at June 30, 2008) will ultimately be provided by the Tax Increment Finance Authority (TIFA), a component unit. It is also anticipated that the TIFA will eventually repay the City \$38,297, representing the net unreimbursed installment payments made by the City through June 30, 2008 related to these obligations.

**CITY OF INKSTER, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008  
(Continued)**

**7) LONG-TERM DEBT (Continued)**

The TIFA's payment of the above described obligations is limited to the amount of TIFA revenue legally available and in excess of the amounts which are required to pay the debt service of the outstanding TIFA bonds, if any. Historically, annual TIFA revenue has, in varying amounts, exceeded the total annual debt service payments for the outstanding TIFA bonds.

Annual debt service requirements to maturity for the above governmental, business type, and component unit bonds and note obligations are as follows:

Governmental Activities				Business-Type Activities			Component Units		
Year	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2009	\$2,029,988	\$537,558	\$2,567,544	\$1,020,288	\$434,578	\$1,454,866	\$291,250	\$402,944	\$694,194
2010	1,864,530	483,642	2,348,172	873,791	392,715	1,366,506	350,000	388,837	738,837
2011	1,885,041	409,725	2,294,766	958,791	352,435	1,311,226	307,500	374,086	681,586
2012	1,939,354	333,860	2,273,214	998,791	310,877	1,309,668	390,000	357,852	747,852
2013	2,005,000	253,759	2,258,759	966,373	266,669	1,233,042	413,750	338,238	751,988
2014-2018	4,490,000	396,767	4,886,767	3,843,788	875,113	4,518,901	1,976,250	1,375,598	3,351,838
2019-2023	0	0	0	965,000	287,870	1,252,870	2,135,000	824,619	2,959,619
2024-2026	0	0	0	690,000	67,551	757,551	1,715,000	159,075	1,874,075
	<u>\$14,213,910</u>	<u>\$2,415,311</u>	<u>\$16,629,221</u>	<u>\$10,416,822</u>	<u>\$2,787,808</u>	<u>\$13,204,630</u>	<u>\$7,578,750</u>	<u>\$4,221,239</u>	<u>\$11,799,989</u>

**Defeased Debt** – In prior years, the City defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2008, \$7,300,000 of bonds outstanding are considered defeased.

In prior years, the TIFA defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2008, \$1,190,000 of bonds outstanding are considered defeased.

**CITY OF INKSTER, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2008**  
**(Continued)**

**8) RESTRICTED ASSETS**

Governmental Activities – The \$1,105,614 of restricted assets at June 30, 2008 are unspent cash proceeds from the 2007 General Obligation Bonds restricted for local road construction.

Business – type Activities – Restricted assets at June 30, 2008 consist of assets held at Wayne County restricted for the following purposes:

City's portion of Rouge River National Wet Weather Demonstration Basin construction	\$1,099,591
City' portion of North Huron Valley/Rouge Valley sewer System Combined Sewer Overflow Basin:	
Construction	20,231
Equipment replacement	470,715
Total restricted assets	<u>\$1,590,537</u>

The above assets result from the issuance of debt; therefore, net assets have been restricted. Net assets of \$118,118 have been restricted, however, pursuant to an Environmental Protection Agency (EPA) requirement for certain required construction not related to the matters listed above. No specific assets have been restricted to this EPA- mandated reserve.

**9) RISK MANAGEMENT**

The City is exposed to various risks of loss related to property loss, torts, errors and omission, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for all claims except workers' compensation. In addition, the City retains risk for general liability claims, as a result of significant deductible levels. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The City is uninsured for workers' compensation claims outside of certain limits. The City has purchased insurance for specific occurrences in excess of \$300,000 and occurring within the insurance policy periods.

**CITY OF INKSTER, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008  
(Continued)**

**9) RISK MANAGEMENT (Continued)**

The City estimates the liability for workers' compensation claims and general liability deductibles that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. Changes in the estimated liability for the years ended June 30 are as follows:

	<u>2008</u>	<u>2007</u>
Estimated Liability - Beginning of year	\$2,402,534	\$2,785,981
Estimated claims incurred, including changes in estimates - Net	92,498	322,716
Claim payments	(643,298)	(706,163)
Estimated Liability - End of year	<u>\$1,851,734</u>	<u>\$2,402,534</u>

**10) CONTINGENCIES**

The City is a defendant in several lawsuits and asserted claims. While an estimate of the liability, net of available insurance coverage, related to these matters has been recorded, management and legal counsel believe the City's ultimate exposure with respect to these actions is not currently determinable. Hence, it is reasonably possible that the ultimate costs, if any, related to the resolution of these matters could differ materially from the amounts provided.

**11) JOINT VENTURES**

The City is a member of the Nankin Transit Commission, which provides transportation services to residents of Garden City, Westland, Canton, Wayne, and Inkster. The participating communities provide annual funding for its operations. During the current year, the City contributed \$34,000 for its operations. The City has no material equity interest in the Nankin Transit Commission at June 30, 2008. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the Nankin Transit Commission can be obtained from the administrative offices at 37137 Marquette, Westland, Michigan 48185.

**CITY OF INKSTER, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008  
(Continued)**

**11) JOINT VENTURES (Continued)**

The City is also a member of the Central Wayne County Sanitation Authority (the "Authority"). The City appoints one member to the joint venture's governing board, which approves the annual budget. The debt of the joint venture is being financed by operations and member millage. The City contributed approximately \$285,900 for sanitation costs passed through the Authority. The City has recorded an investment related to its share of the net asset position of the Authority at \$275,695 in the government-wide statement of net assets.

Complete financial statements for the Authority can be obtained from the administrative offices at 3759 Commerce Court, Wayne, Michigan 48184.

**12) DEFINED BENEFIT PENSION PLAN**

**Plan Descriptions**

The City contributes to the Police and Fire Retirement System and to the General Employee Retirement System, which are administrators of single-employer public employees' retirement systems that generally cover all full-time police and fire employees and general employees of the City, respectively. The systems provide retirement, disability, and death benefits to plan members and their beneficiaries.

**Police and Fire Retirement System**

At July 1, 2008, the date of the most recent actuarial valuation, membership consisted of 56 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 80 current active employees. The plan does not issue a separate financial report.

**Contributions-** Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Please refer to Note I for further significant accounting policies.

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining units and requires a contribution from the employees of 6.53 percent of wages for police officers and 6.00 percent of wages for firefighters. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings.



**CITY OF INKSTER, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008  
(Continued)**

**12) DEFINED BENEFIT PENSION PLAN (Continued)**

**Annual Pension Cost** – For the year ended June 30, 2008, the City's annual pension cost of \$320,265 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at July 1, 2008 using the individual entry age actuarial cost method. Significant actuarial assumptions used include (a) a 8.00 percent investment rate of return, (b) projected salary increases of 4 percent per year, and (c) no cost of living adjustments. Both (a) and (b) include an inflation component of 4 percent. The actuarial value of assets was determined based on a five-year smoothed market. The unfunded actuarial liability is being amortized as a level percentage of payroll on an open basis. The remaining amortization period is 10 years.

The three-year trend information for the plan is as follows:

	Fiscal Year Ended June 30		
	2008	2007	2006
Police and Fire Retirement System			
Annual pension cost (APC)	\$320,265	\$185,035	\$121,130
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$0	\$0	\$0

**General Employee's Retirement System**

At July 1, 2008, the date of the most recent actuarial valuation, membership consisted of 51 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 54 current active employees. The plan does not issue a separate financial report

**Contributions** – Plan members' contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Please refer to Note 1 for further significant accounting policies.

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining units and requires a contribution from the employees of 5 percent of wages except for members of the dispatchers union for whom the amount is 3 percent of wages. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings.

**CITY OF INKSTER, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008  
(Continued)**

**12) DEFINED BENEFIT PENSION PLAN (Continued)**

**Annual Pension Cost** – For the year ended June 30, 2008, the City's actuarially determined contribution for the plan was \$345,988. The City actually contributed and expensed \$323,184 for its current year contribution. The difference between the required and actual contribution has been recorded as a liability in the government-wide statement of net assets. The annual required contribution was determined as part of an actuarial valuation at July 1, 2008 using the aggregate actuarial cost method. Signification actuarial assumptions used include (a) a 7.0 percent investment rate of return, (b) projected salary increases of 4 percent per year, and (c) no cost of living adjustments. Both (a) and (b) include an inflation component of 3 percent. The actuarial value of assets was based on stated contract value for funds invested in the general accounts of an insurance company and market value for funds invested in insurance company separate accounts.

The three-year trend information for the plan is as follows:

	Fiscal Year Ended June 30		
	2008	2007	2006
General Employees' Retirement System:			
Annual pension cost (APC)	\$345,988	\$329,381	\$329,381
Percentage of APC contributed	93%	162%	158%
Net pension obligation	\$22,804	\$0	\$0

**13) POST-EMPLOYMENT BENEFITS**

The City provides health care benefits to all full time employees upon retirement, in accordance with labor contracts. There were fifty-seven retirees at June 30, 2008. The City includes pre-Medicare retirees and their dependents in its insured health care plan, with a 50 percent contribution required by the participant. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for post-employment health care benefits are recognized as the insurance premiums become due and totaled approximately \$603,000 during the year.

The Governmental Accounting Standards Board has recently released Statement Number 45, Accounting and Reporting by Employers for Post-employment Benefits Other Than Pensions. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" post-employment benefits (other than pensions). The new rules will cause the government - wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.

**CITY OF INKSTER, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008  
(Continued)**

**14) STATE GRANT – WATER AND SEWER FUND**

During 2007 and 2008, the City received S2 grant funds from the State of Michigan for engineering/design costs relative to a proposed vertical capture shaft/combined sewage retention and treatment structure. The City has ultimately decided not to build this structure due to design issues. Under the provisions of the grant agreement, S2 grant funds are required to be repaid, with interest, where "the project has been identified as being in the fundable range and the applicant declines loan assistance from the state water pollution control revolving fund or the fund in that fiscal year."

Although the City meets the criteria for repayment, the State has indicated that if the City successfully provides all necessary application materials in a timely manner, consistent with an executed milestone schedule, and closes on loan assistance during fiscal 2008, the State does not intend to require the funding to be repaid. The City has concluded the loan agreement as of September 22, 2008.

## **REQUIRED SUPPLEMENTAL INFORMATION**

**CITY OF INKSTER, MICHIGAN  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
YEAR ENDED JUNE 30, 2008**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property Taxes	\$7,666,155	\$7,566,155	\$7,864,811	\$298,656
Licenses and Permits	418,055	263,055	286,958	23,903
State-Shared Revenues and Grants	4,609,174	4,544,174	4,456,864	(87,310)
Charges for Services	1,794,490	1,761,490	1,859,194	97,704
Interest	300,000	300,000	262,580	(37,420)
Administrative Charges and Other Revenue	3,138,028	3,192,959	3,054,053	(138,906)
<b>Total Revenue</b>	<b>17,925,902</b>	<b>17,627,833</b>	<b>17,784,460</b>	<b>156,627</b>
<b>Expenditures</b>				
General Government	2,870,803	2,827,803	2,831,328	(3,525)
Public Safety	7,084,329	7,314,260	7,394,868	(80,608)
Highways, Streets, and Public Works	2,775,428	2,487,428	2,629,973	(142,545)
Cultural and Recreation	197,351	208,351	199,219	9,132
Nondepartmental	4,997,991	4,763,991	4,263,295	500,696
<b>Total Expenditures</b>	<b>17,925,902</b>	<b>17,601,833</b>	<b>17,318,683</b>	<b>283,150</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>0</b>	<b>26,000</b>	<b>465,777</b>	<b>439,777</b>
<b>Other Financing Sources (Uses)</b>				
Operating Transfer (Out)	(465,500)	(465,500)	(465,500)	0
<b>Total Other Financing Sources (Uses)</b>	<b>(465,500)</b>	<b>(465,500)</b>	<b>(465,500)</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>(465,500)</b>	<b>(439,500)</b>	<b>277</b>	<b>439,777</b>
<b>Fund Balances - July 1, 2007</b>	<b>1,442,368</b>	<b>1,442,368</b>	<b>1,442,368</b>	<b>0</b>
<b>Fund Balances - June 30, 2008</b>	<b>\$976,868</b>	<b>\$1,002,868</b>	<b>\$1,442,645</b>	<b>\$439,777</b>

**CITY OF INKSTER, MICHIGAN  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE – MAJOR STREETS FUND  
YEAR ENDED JUNE 30, 2008**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
State-Shared Revenues and Grants	\$3,297,241	\$3,297,241	\$1,173,009	(\$2,124,232)
Interest	30,000	30,000	78,499	48,499
<b>Total Revenue</b>	<b>3,327,241</b>	<b>3,327,241</b>	<b>1,251,508</b>	<b>(2,075,733)</b>
<b>Expenditures</b>				
Highways, Streets, and Public Works	3,234,492	3,234,492	1,547,807	(1,686,685)
Debt Service	212,486	212,486	212,211	(275)
<b>Total Expenditures</b>	<b>3,446,978</b>	<b>3,446,978</b>	<b>1,760,018</b>	<b>(1,686,960)</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>(119,737)</b>	<b>(119,737)</b>	<b>(508,510)</b>	<b>(\$388,773)</b>
<b>Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>158,817</b>	
<b>Fund Balances - July 1, 2007</b>	<b>1,823,767</b>	<b>1,823,767</b>	<b>1,823,767</b>	
<b>Fund Balances - June 30, 2008</b>	<b>\$1,704,030</b>	<b>\$1,704,030</b>	<b>\$1,472,074</b>	

**CITY OF INKSTER, MICHIGAN  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE – LOCAL STREETS FUND  
YEAR ENDED JUNE 30, 2008**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
State-shared Revenues and Grants	\$5,514,300	\$5,514,300	\$495,737	(\$5,018,563)
Interest	65,200	65,200	106,390	41,190
Property Taxes	1,379,000	1,379,000	1,807,963	428,963
Transfer In	117,372	117,372	0	(117,372)
<b>Total Revenue</b>	<b>7,075,872</b>	<b>7,075,872</b>	<b>2,410,090</b>	<b>(4,665,782)</b>
<b>Expenditures</b>				
Highways, Streets, and Public Works	6,127,259	6,327,259	4,928,253	(1,399,006)
Debt Service	1,225,655	1,225,655	1,816,114	590,459
<b>Total Expenditures</b>	<b>7,352,914</b>	<b>7,552,914</b>	<b>6,744,367</b>	<b>(808,547)</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>(277,042)</b>	<b>(477,042)</b>	<b>(4,334,277)</b>	<b><u>(\$3,857,235)</u></b>
<b>Fund Balances - July 1, 2007</b>	<b>6,541,848</b>	<b>6,541,848</b>	<b>6,541,848</b>	
<b>Fund Balances - June 30, 2008</b>	<b><u>\$6,264,806</u></b>	<b><u>\$6,064,806</u></b>	<b><u>\$2,207,571</u></b>	

**CITY OF INKSTER, MICHIGAN  
REQUIRED SUPPLEMENTAL INFORMATION  
PENSION SYSTEM SCHEDULES OF FUNDING PROGRESS  
JUNE 30, 2008**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Over-Funded AAL (OAAL) (a-b)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	OAAL as a Percentage of Covered Payroll
<b><u>General Employees' Retirement System</u></b>						
7/1/99*						
7/1/00	\$7,393,000	\$7,393,000	\$0	100.0	\$1,838,000	0.0
7/1/01*						
7/1/02	7,062,000	7,062,000	0	100.0	1,949,000	0.0
7/1/03*						
7/1/04	7,177,000	7,177,000	0	100.0	1,884,000	0.0
7/1/05*						
7/1/06	7,991,000	***7,991,000	0	100.0	2,134,232	0.0
7/1/07*						
7/1/08	8,781,000	***8,781,000	0	100.0	2,016,001	0.0
<b><u>Police and Fire Retirement System</u></b>						
7/1/99	24,559,000	20,047,000	4,512,000	122.5	3,456,000	130.6
7/1/00	26,426,000	22,448,000	3,978,000	117.7	3,805,000	104.5
7/1/01	27,862,000	24,224,000	3,638,000	115.0	4,447,000	81.8
7/1/02	28,489,000	24,758,000	3,731,000	115.0	4,235,000	88.1
7/1/03	28,125,000	25,884,000	2,241,000	108.7	3,842,000	58.3
7/1/04	27,624,000	26,981,000	643,000	100.2	4,687,000	13.7
7/1/05	27,465,000	25,168,000	2,297,000	109.1	4,639,000	49.5
7/1/06	27,460,000	26,195,000	1,265,000	104.8	4,539,000	27.8
7/1/07	28,519,000	27,116,000	1,403,000	105.2	4,473,940	31.3
7/1/08	29,483,000	28,282,000	1,201,000	104.2	4,672,419	25.7

\* A valuation was not done for the years indicated.

\*\*\* At July 1, 2008, the valuation disclosed the present value of vested benefits as approximating \$9,948,000  
In prior valuations, the present value of vested benefits approximated the actual value of assets at the corresponding date.



**CITY OF INKSTER, MICHIGAN  
REQUIRED SUPPLEMENTAL INFORMATION  
PENSION SYSTEMS SCHEDULES OF EMPLOYER CONTRIBUTIONS  
JUNE 30, 2008**

The schedule of funding progress is as follows:

**General Employees' Retirement System**

Fiscal Year Ended June 30	Actuarial Valuation Date	Annual Required Contribution*	Percentage Contributed
1999	7/1/98	\$144,726	100.0
2000	7/1/98	106,710	100.0
2001	7/1/00	201,310	100.0
2002	7/1/00	213,736	100.0
2003	7/1/02	327,206	69.0
2004	7/1/02	320,779	96.0
2005	7/1/04	454,487	87.2
2006	7/1/04	454,487	100.0
2007	7/1/06	329,381	100.0
2008	7/1/06	329,381	98.1

**Police and Fire Retirement System**

Fiscal Year Ended June 30	Actuarial Valuation Date	Annual Required Contribution*	Percentage Contributed
1999	7/1/97	\$175,642	100.0
2000	7/1/98	242,903	100.0
2001	7/1/99	290,625	100.0
2002	7/1/00	353,356	100.0
2003	7/1/01	464,781	100.0
2004	7/1/02	451,695	100.0
2005	7/1/04	485,107	100.0
2006	7/1/06	121,130	100.0
2007	7/1/07	185,035	100.0
2008	7/1/08	479,415	66.8

\* The City's policy is to calculate a percentage of payroll, at which it will make its employer plan contributions such that the resultant contribution amount is within the range of the alternatives presented in the actuarial valuations. The contribution amounts presented represent the actual contributions recorded by the City in the respective fiscal years.

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of July 1, 2008, the latest actuarial valuation date, follows:

**General Employees' Retirement System**

Actuarial Cost Method	Projected Unit Credit
Amortization Method	N/A
Amortization Period (perpetual)	N/A
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return*	7.0%
Projected Salary Increases*	2%
* Includes Inflation at	2%
Cost of Living Adjustments	None

**Police and Fire Retirement System**

Actuarial Cost Method	Individual entry age
Amortization Method	Level percent of payroll, open
Amortization Period (perpetual)	30 years
Asset Valuation Method	Five-year smoothed market
Actuarial Assumptions:	
Investment Rate of Return**	8.00%
Projected Salary Increases**	4%
** Includes Inflation at	4%
Cost of Living Adjustments	None

**CITY OF INKSTER, MICHIGAN**  
**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**  
**JUNE 30, 2008**

**Budgetary Information** – The annual budget is prepared by the City management and adopted by the City Council; subsequent amendments are approved by the City Council. The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the City is the department level. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2008 has not been calculated. During the current year, the budget, the budget was amended in a legally permissible manner.

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund, Special Revenue Funds, and Debt Service Fund, with the following exceptions:

- Operating transfers have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)."
- Financing proceeds related to debt issuance have been included in the "revenue" category rather than as "other financing sources."

**Excess of Expenditures Over Appropriations in Budgeted Funds** – During the year, the City incurred General Fund expenditures that were in excess of the amounts budgeted as follows:

	<u>Budget</u>	<u>Actual</u>
General Government	\$2,827,803	\$2,831,328
Public Safety	7,314,260	7,394,868
Highways, Streets and Public Works	2,487,428	2,629,973

## **OTHER SUPPLEMENTAL INFORMATION**

**CITY OF INKSTER, MICHIGAN  
OTHER SUPPLEMENTAL INFORMATION  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2008**

	Non-Major Special Revenue Funds			Non-Major Capital Projects Funds		Total Non-Major Governmental Funds
	Grants	Drug Law Enforcement	Parks & Recreation	Capital Improvements	Sidewalk Revolving	
<b>Assets</b>						
Cash And Investments	\$44,142	\$28,458	\$312,033	\$53,000	\$18,548	\$456,181
Accounts Receivables	0	0	7,895	0	0	7,895
Due From Other Governmental Units	238,160	0	0	0	0	238,160
<b>Total Assets</b>	<b>\$282,302</b>	<b>\$28,458</b>	<b>\$319,928</b>	<b>\$53,000</b>	<b>\$18,548</b>	<b>\$702,236</b>
<b>Liabilities And Fund Balances</b>						
<b>Liabilities</b>						
Accounts Payable	\$39,949	\$6,610	\$51,510	\$0	\$550	\$98,619
Due To Other Funds	211,322	0	0	0	0	211,322
Due to Component Units	28,523	0	0	0	0	28,523
Deferred Revenue	42,340	0	0	0	0	42,340
<b>Total Liabilities</b>	<b>322,134</b>	<b>6,610</b>	<b>51,510</b>	<b>0</b>	<b>550</b>	<b>380,804</b>
<b>Fund Balances - Unreserved</b>	<b>(39,832)</b>	<b>21,848</b>	<b>268,418</b>	<b>53,000</b>	<b>17,998</b>	<b>321,432</b>
<b>Total Liabilities And Fund Balances</b>	<b>\$282,302</b>	<b>\$28,458</b>	<b>\$319,928</b>	<b>\$53,000</b>	<b>\$18,548</b>	<b>\$702,236</b>

**CITY OF INKSTER, MICHIGAN  
OTHER SUPPLEMENTAL INFORMATION  
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008**

	Non-Major Special Revenue Funds			Non-Major Capital Projects Funds		Total Non-Major Governmental Funds
	Grants	Drug Law Enforcement	Parks & Recreation	Capital Improvements	Sidewalk Revolving	
<b>Revenue</b>						
Property Taxes	\$0	\$0	\$708,180	\$0	\$0	\$708,180
Federal Grants	1,009,554	0	0	0	0	1,009,554
Interest Income	0	0	15,845	3,409	878	20,132
Other	0	184,110	49,156	0	0	233,266
<b>Total Revenue</b>	<b>\$1,009,554</b>	<b>\$184,110</b>	<b>\$773,181</b>	<b>\$3,409</b>	<b>\$878</b>	<b>\$1,971,132</b>
<b>Expenditures</b>						
Public Safety	\$0	\$163,805	\$0	\$5,839	\$0	\$169,644
Grant Expenditures	809,386	0	0	0	0	809,386
Other	0	0	1,129,888	0	0	1,129,888
<b>Total Expenditures</b>	<b>809,386</b>	<b>163,805</b>	<b>1,129,888</b>	<b>5,839</b>	<b>0</b>	<b>2,108,918</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>200,168</b>	<b>20,305</b>	<b>(356,707)</b>	<b>(2,430)</b>	<b>878</b>	<b>(137,786)</b>
Operating Transfers In	0	0	465,500	0	0	465,500
Operating Transfers (Out)	0	0	0	(19,667)	0	(19,667)
<b>Fund Balances - July 1, 2007</b>	<b>(240,000)</b>	<b>1,543</b>	<b>159,625</b>	<b>75,097</b>	<b>17,120</b>	<b>13,385</b>
<b>Fund Balances - June 30, 2008</b>	<b>(\$39,832)</b>	<b>\$21,848</b>	<b>\$268,418</b>	<b>\$53,000</b>	<b>\$17,998</b>	<b>\$321,432</b>

CITY OF INKSTER, MICHIGAN  
OTHER SUPPLEMENTAL INFORMATION  
COMBINING STATEMENT OF NET ASSETS FIDUCIARY FUNDS  
JUNE 30, 2008

	Pension Trust Funds		
	General		
	Employees'	Police and Fire	
	Retirement	Retirement	
	System	System	Total
<b>Assets</b>			
Investments:			
Corporate bonds	\$0	\$1,959,257	\$1,959,257
U.S. Government Securities	0	154,670	154,670
U.S. Government Agency Securities	0	7,462,335	7,462,335
Common and Preferred Stock	0	17,324,805	17,324,805
Pension Guarantee Contract Pooled Fund	8,382,762	0	8,382,762
Bank Investment Pools and Pooled Investment Fund	52,831	992,206	1,045,037
Receivables	23,252	23,060	46,312
<b>Net Assets - Held in Trust for Employee Pension Benefits</b>	<b>\$8,458,845</b>	<b>\$27,916,333</b>	<b>\$36,375,178</b>

**CITY OF INKSTER, MICHIGAN  
OTHER SUPPLEMENTAL INFORMATION  
COMBINING STATEMENT OF CHANGES IN NET ASSETS FIDUCIARY FUNDS  
JUNE 30, 2008**

	General Employees' Retirement System	Police and Fire Retirement System	Total
<b>Additions</b>			
Investment Income:			
Interest and Dividends	\$446,641	\$782,638	\$1,229,279
Net Increase (decrease) in Fair Value of Investments	<u>(89,495)</u>	<u>(830,074)</u>	<u>(919,569)</u>
Net Investment Income (Loss)	357,146	(47,436)	309,710
Contributions:			
Employer	323,183	320,265	643,448
Employee	<u>105,007</u>	<u>306,459</u>	<u>411,466</u>
Total Additions	785,336	579,288	1,364,624
<b>Deductions</b>			
Benefit Payments	540,063	1,659,066	2,199,129
Refunds of Contributions	13,905	20,258	34,163
Administrative Expenses	<u>50,444</u>	<u>304,457</u>	<u>354,901</u>
Total Deductions	<u>604,412</u>	<u>1,983,781</u>	<u>2,588,193</u>
<b>Net Increase (Decrease)</b>	180,924	(1,404,493)	(1,223,569)
<b>Net Assets - Held in Trust for Pension Benefits</b>			
Beginning of Year	<u>8,277,921</u>	<u>29,320,826</u>	<u>37,598,747</u>
End of Year	<u><u>\$8,458,845</u></u>	<u><u>\$27,916,333</u></u>	<u><u>\$36,375,178</u></u>

**Alan C.  
Young & Associates, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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[www.alanelyoung.com](http://www.alanelyoung.com)

December 23, 2008

Honorable Mayor and  
Members of the City Council  
City of Inkster  
Inkster, MI 48141

In planning and performing our audit of the financial statements of the City of Inkster, Michigan (the City) as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

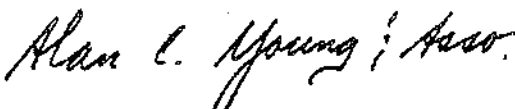
Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified deficiencies in the internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. Exhibit A identifies the deficiencies that we consider to be significant deficiencies in internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe items number 1-3, as detailed in Exhibit A, to be material weaknesses.

This communication is intended solely for the information and use of the Mayor, members of City Council, management, and others within the City of Inkster, Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



Alan C. Young & Associates, P.C.  
Certified Public Accountants & Consultants



**1. BANK RECONCILIATIONS**

During our procedures, we noted that bank reconciliations were not performed on a timely basis. The June bank reconciliation was not completed until late October. This created numerous adjusting entries and also impacted the efficiency of the audit.

Timely and accurate bank reconciliations are the cornerstone of any effective system of internal control. Proper bank reconciliations help ensure the accuracy of internally generated financial data and also reduce the risk of theft or misuse of funds.

**2. GENERAL LEDGER REVIEW AND RECONCILIATION**

During our procedures, we noted that a number of general ledger accounts had not been reviewed and/or reconciled on a timely basis. Many adjustments were made to the general ledger after the start of fieldwork creating significant inefficiencies as well as additional time and effort.

We recommend that significant general ledger accounts be reviewed/reconciled on a timely basis. By properly reviewing and reconciling the general ledger, the City can identify errors or mis-postings on a timely basis and help ensure the propriety of internally generated financial information.

**3. DAILY RECEIPTS**

In early 2008, the City had an instance where the daily receipts for one day could not be located. Although the vast majority of the receipts were in the form of a check rather than cash, and the monetary impact on the City was minor, this is still a major deficiency in the internal control structure.

One of the problems noted was that deposits were not always made on a timely basis. It was not unusual to see delays of 4-7 days in the deposit of funds. When there are several days of deposits being maintained it increases the possibility of funds turning up missing, either through theft or negligence.

We recommend that the City make deposits on a daily basis. We also recommend that employees be cross-trained so that the cash receipt/deposit process will not be impacted when employees involved in this area go on vacation. Additionally, the cross training of employees to handle certain duties when other employees are on vacation is a valuable internal control. It can help identify procedural deficiencies as well as helping ensure necessary processes/controls can continue without interruption.